door to rationing care at some point down the road—just like every other country that has gone in the direction of government-run health care for all.

Business owners are also a special target of this bill. The government will tell all but the smallest employers they must cover employees even if they cannot afford it. If they refuse, they get hit with a $135 billion tax—a tax that independent experts warn will lower wages and kill jobs.

Unemployment is nearly 10 percent, despite the administration's prediction that it would not rise past 8 percent if we passed the stimulus. But instead of trying to create jobs, Democrats are trying to push through a trillion-dollar experiment with massive new taxes that would kill even more jobs right in the middle of a recession.

Finally, under this bill, the government would create a government-run health care plan that Americans oppose. Democrats say the whole point of a government plan is to give Americans a lower cost option. But the CBO has said that the premiums for the House government plan would actually be higher than the premiums for private plans. So in order for the government plan to meet its goal of offering a lower cost alternative, it would have to use the power of government to subsidize costs, ration care, and undercut private insurers. Democrats may call this an option, but it is clear to everyone else that this type of government-run plan would eventually become the only option.

Americans want real reforms that lower costs and increase access—reforms such as getting rid of junk lawsuits, leveling the playing field on health care taxes, and incentivizing healthy choices. Yet instead of adopting these commonsense ideas, the authors of this bill seem intent on forcing the American people to accept more spending, more debt, more taxes, and more government in their daily lives.

You can call that a lot of things. You can call it a lot of things, but you cannot call it reform. The passage of time has not been good to Democratic efforts at health care reform. Earlier versions were deeply flawed to begin with. But when Americans look closely at this latest version, they will wonder who exactly congressional leaders have been listening to over the past several months. Clearly, it is not the American people.

Mr. President, I yield the floor.

RESERVATION OF LEADER TIME

The ACTING PRESIDENT pro tempore. Under the previous order, leadership time is reserved.

MORNING BUSINESS

The ACTING PRESIDENT pro tempore. Under the previous order, there will now be a period for the transaction of morning business until 4 p.m., with Senators permitted to speak therein for up to 10 minutes each.

The Senator from Illinois.

HEALTH CARE AND UNEMPLOYMENT BENEFITS

Mr. DURBIN. Mr. President, we just heard the Republican leader of the Senate speak, as he does every day, against health care reform. He has opposed it from the start. He is consistent. His message is consistent. He does not propose any alternative. There is no Republican health care reform bill anyone has seen or heard of. He comes in each day and tells us what is wrong with the efforts underway in Congress, both the House and the Senate, to change the health care system of America.

Unfortunately, most Americans—certainly most business people—understand that the current health care system in America is unsustainable. The cost of health care is going up so fast that fewer and fewer businesses are protecting their employees and fewer and fewer individuals can afford to buy health insurance. And those who buy health insurance know the reality of what it means today. They know that when they need it the most, many health care insurance companies turn them down. People who had paid for a lifetime into a health insurance plan they had never used finally faced an accident or a diagnosis or a critical illness, went to their doctor, headed to the hospital, only to find that now they were not just going to have to battle an illness, they had to battle their insurance company.

I cannot tell you how many cases have come to my office—so many that we have lost count—asking: As a Senator, will you please intervene with my health insurance company.

The most recent involved a young man who has been battling cancer in my State for years, a heroic battle that I know something about because I know his family. He finally found a drug that worked that his oncologist recommended. It was a new drug, but it was one that worked. For a while, the health insurance company paid for it. Then they announced they were going to cut off payments because it was not an appropriate drug. Do you know how much it will cost his family to provide that lifesaving drug to him each month? It is, $13,000. How long can he last? How long can the savings last? How long can we stand here and tolerate that kind of mistreatment of the American people?

Yet day after day, the Republican leader comes and tells us he is opposed to change; he does not support our efforts to bring about real significant change when it comes to health insurance in this country.

Let me tell you what our bill does—this bill he said we should not pass. It eliminates preexisting conditions. Do you know what that means? When you need your insurance the most and your health insurance company goes back and pulls out your health insurance application and says: You forgot to tell us you had headaches as a teenager or acne and, therefore, we are going to walk away, disallow any medical care. Does that sound outlandish? It is a fact in both instances and in cases that have come to our office—preexisting conditions. Preexisting conditions, a battle that people have to fight all the time with these health insurance companies, would be prohibited under health insurance reform that we are working on.

Or how about their decision to cap the amount of coverage they will provide. You don't know when you get into cancer treatment or serious brain surgery what the ultimate bill is going to be. But the health insurance companies can walk away from you when you are sick and need their help the most.

We know what they do with kids, young people, when they reach the age of 23. It happened in my family. They cut off your children. No more will they cover them. They have to find their own coverage. This bill says we will extend that coverage.

We are basically trying to plug the gaps in health insurance coverage today that haunt American families when they desperately need help. And the Republican minority leader comes to the floor and objects to that, objects to this health care reform. I don't understand where he is coming from.

He says this bill is too long. I have heard the Senator from Kentucky and other Senators say: Why, this bill is 1,000 pages long—1,000 pages. I don't know if there is an appropriate number of pages for health care reform. I don't know if 100 is the right number and 1,100 is too much. I don't know if we should be involved in that kind of silly argument.

What we are talking about here is a piece of legislation that will impact health care for every American and will literally address one-sixth of the American economy. Mr. President, $1 out of every $6 spent in America is spent on health care. We are working now to bring down costs and create a system that is fair, stable, and secure for people across the United States. If it takes 2,000 pages, does that mean the bill is wrong?

The other day on the floor, I asked one of the Republican Senators who was talking about the bill being too long, first I said: Have you seen it? Of course he had not because the bill is currently being written. The final bill is not before us. It will be on the Internet for at least 3 days before it is considered on the floor, as it should be, but there is no final bill.

Then I asked him how many pages is the Republican alternative on health care reform. He stumbled a little bit because there is no Republican alternative to health care reform. Speeches, yes, but nothing in writing.

When we went through the HELP Committee and marked up the bill—one of the bills that is part of the package being considered—there were 150

Republican amendments that were accepted. You would think that after 150 Republican amendments were accepted out of about 500, perhaps one Republican Senator would vote to move the bill forward. Not a single one, not one in the HELP Committee would vote to move it forward.

It is unfortunate, but I think Majority Leader REID is right. There appears to be, by most Republican Senators, a strategy to delay this as long as possible and to oppose all change. I don't know if you can build a political party on that. I certainly don't believe you can build a nation on that. And you certainly cannot address the concerns that people express to us every day about the current cost of health care and the need for us to have health insurance we can trust and the need to bring more and more people into health insurance coverage.

The bill before us, that we will vote on at 5 o'clock today, is about unemployment compensation. It is a record-breaking bill. And you know why? Because it has taken us almost 4 weeks by Wednesday to bring up the extension of unemployment compensation benefits. The reason it breaks a record is that historically this was never a debatable item. People said: Of course, we are going to help people who are unemployed on a bipartisan basis, give them a helping hand in a tough economy. Now we are facing an economy with millions of people unemployed and, unfortunately, the Republicans have delayed us for 4 weeks to bring this matter up.

While they have delayed us, thousands of people have lost their unemployment benefits. They are in my office, sending e-mails talking about this, spelling out what it means when you don't have a job, you don't have health insurance, you are struggling to pay the rent or the mortgage payment, trying to pick up some skills to find a new job and the checks end.

We want to extend those unemployment benefits because there are six unemployed Americans for every available job. Even people who are working the hardest to find new jobs are having a tough time. But for 4 weeks, the Republicans have stopped us. And why? They want to offer amendments that have nothing to do with unemployment compensation.

One of the amendments the Senator from Louisiana wants to once again debate is about an organization called ACORN. ACORN has not been in business in Illinois for a long time. It is an organization that is controversial in some sectors. In fact, it has led to four or five votes already on the Senate floor. This Senator has said he wants to hold up the extension of unemployment benefits for thousands of Americans so he can debate again another effort to criticize ACORN.

I suppose it is an important speech to him but not as important as that unemployment check is to thousands of people in Louisiana and Illinois who don't receive it because he and others on his side of the aisle have held up this bill for no good reason.

We have work to do. We need to create a safety net for those who have lost their jobs. We need to push forward on the President's recovery and reinvestment program that is creating jobs to put people back to work, and we need to sit together—I hope—come together and find a way to expand the number of jobs in this economy. We cannot do it if it takes 4 weeks for us to provide an unemployment check for someone in my home State who has been out of work for a year and is desperate to keep his family together.

That is the reality of what this issue is all about, the reality of the strategy of the party on the other side of the aisle. Whether it is unemployment benefits or health care reform, they believe if they delay long enough, somehow the clock will run out, the calendar will end, and we will do nothing. We cannot do that.

For the unemployed people in this economy, for those counting on us for real health care reform, we must do better. I urge my colleagues—I hope—on the other side of the aisle—a few of them—to step forward and say this is an issue that goes way beyond politics. I hope they join us in providing unemployment benefits long overdue.

The ACTING PRESIDENT pro tempore. The Senator from Missouri.

Mr. BOND. Mr. President, I ask unanimous consent to proceed in morning business for 15 minutes.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. BOND. Mr. President, survey after survey shows that most Americans like their health plan, but they believe it costs too much. That is why I am concerned that at a time when the American people are asking for lower health care costs, the trillion-dollar bills the Democrats are trying to ram through Congress actually increase the cost of health care.

You heard me correctly. The majority of both Houses is actually proposing to spend $1 trillion of taxpayer funds on proposals that will cause an increase in health care for all Americans. That is not the kind of reform Americans want.

Back home we call that a pig in a poke. The only way to sell a pig in a poke is to hide from Americans what their tax dollars are buying. That is why, despite the President's promise of transparency, the majority in charge of Congress and in charge of the Senate is working behind closed doors on a complicated, probably 1,000-plus-page bill that will lead to a massive government takeover of health care.

The assistant majority leader is correct; we have not seen a bill. It has been done in secret. Just wait; sometime we will see it. But we heard some facts that we think are very important.

First, the nonpartisan Congressional Budget Office, headed by a Democratic appointee, Doug Elmendorf, has said that the majority's government-run health plans will actually raise insurance premiums.

Despite the pig in a poke the majority is trying to sell to the American people, these independent experts have said that the government-run option being proposed will have higher premiums than private plans. There is another analysis that shows that the cost the government would impose would increase the cost of the premiums on private health care plans, particularly if they continue to propose to impose taxes on the health insurers. That is going to be shuffled off on every health care provider, every person holding private insurance.

When has government ever lowered the cost of anything? We know these bills will raise taxes on families and small businesses. We also know these bills would cut Medicare for seniors, up to one-half trillion dollars, leaving our seniors with fewer health care options. The majority is not even denying these charges. They are hoping no one is paying attention. Also what the majority does not want you to know is under these health care bills, government bureaucrats will have control over decisions that only you and your doctor should have. These are startling conclusions, but that is why Missourians are rightly concerned about the direction we are headed. Missourians and the people across this country don't want the same kind of denial, delay, and rationing that is common in countries with government-driven health care.

Americans are also concerned with the high price our children and grandchildren will pay for these health care schemes. My constituents are asking why, in the midst of a recession, when unemployment is 10 percent, why, when Americans are already saddled with massive Federal debt, the majority isn't listening to their concerns as they move ahead with a costly vast expansion of government that increases rather than lowers the cost of their health care.

Also, I have heard concern about gimmicks that are being used to claim the bill is deficit neutral, such as collecting all the taxes and fees long before the plan takes effect and has to be paid for. It is a grand scheme, but no one outside of Washington actually believes a $1 trillion health care bill will do anything but increase costs and pile more debt on our kids and grandkids. In fact, experts have confirmed there would be shortfalls outside the 10-year budget window. It is another smoke and mirrors trick to disguise the fact we are heaping massive debt on future generations.

Sadly, this proposed $1 trillion government takeover is just the latest in a string of efforts to expand the government at the cost of our children and grandchildren's fiscal future. Already this year the administration and the majority in Congress have spent $1 trillion on the misnamed stimulus bill, adopted a budget that will double the debt in 5 years and triple it in 10, proposed a $3.6 trillion new gasoline tax, and other massive takeovers of various companies and industries.

Mr. President, I think we are all in agreement that health care costs too much, there are too many uninsured, and we need reform. But the question is, What does real reform look like? To date, we have seen two vastly different philosophies. For my colleagues on the other side of the aisle reform means a vast expansion of government costing more than $1 trillion that will increase health care costs, raise taxes, and cut Medicare benefits that are needed to pay for the services our seniors will get. Under this kind of reform, Americans will end up paying more for less.

Our view on this side of the aisle—as the majority leader has already said—is reform must be commonsense solutions focused on lowering health care costs for families and small business. We are offering solutions that increase access and improve patient care as well. Contrary to what has just been said on the Senate floor, we support tax equity for all families, allowing small businesses to form their own associations to purchase across State lines, and end the waste of the $120 billion annually spent for malpractice insurance and the defensive medicine it causes.

We don't need an overhaul of health care to give the American people what they want. What is needed is for Democrats to stop ignoring the American people and start working on a bipartisan basis—which they have not done so far—on real reforms that can make a difference, reforms that will lower costs, increase access, and improve patient care. That is what Americans want and that is where our focus should be, and we hope the Democrats will join us.

Mr. President, another example where Americans are in a position where we are going to be seeing a major expansion of government indebtedness and exposure of our tax burden is the measure that is probably going to be adopted today to continue and expand the home buyer tax credit provision.

Let me begin by pointing out that I originally supported the creation and the first extension of the home buyer tax credit. Unfortunately, these days it seems as if the fastest way to make something permanent is to have Congress legislate a temporary program.

As a longtime housing advocate, I believe a temporary credit, combined with other tools, such as housing counseling and refinancing efforts by State financing housing agencies, would help in the stabilization and recovery of the market.

Like many of my colleagues, I believed it was critical to address the housing market that was at the root of the housing crisis and led to our recession. However, the housing crisis has evolved from a crisis caused by loose lending through risky subprime loans to a crisis where job loss has become the primary cause of foreclosures and delinquencies. But for several reasons, I strongly believe the home buyer tax credit must end—primarily the disturbing news about fraud in the program and the high cost to taxpayers.

Before voting for another extension, I hope my colleagues ask themselves, based on its track record, whether the home buyer tax credit is an effective tool in helping the housing market. It is clear to me the answer is no due to its high cost and its vulnerability to fraud.

News about the real cost to taxpayers is alarming. In reality, this $8,000 home buyer tax credit costs the taxpayers at least $43,000 per new home sale using the most generous assumptions. According to the Brookings Institution, the vast majority of home buyers who used the credit would have bought a home without it, and at best the credit simply brought forward home sales that would have occurred in the future. Brookings estimates only 15 percent of the sales were attributable to the credit.

If we used Goldman Sachs's less generous estimate that far fewer sales were directly caused by the credit, the cost to taxpayers rises to $80,000 per new sale of homes. For the vast majority of cases, the home buyer tax credit amounted to a free gift since it did not affect their decision to purchase.

As described in a September 19 editorial this year in the Washington Post, the tax credit simply moved around the demand to purchase homes from future to present and from other consumers and other sectors to home buyers and homes. For the small minority of buyers whose decision was directly caused by this credit, this raises the question of whether we are subsidizing buyers who may not have been able to afford buying a home in the first place.

In the face of these figures, it seems obvious the home buyer tax credit is a terribly inefficient, irresponsible, and poor use of scarce taxpayer resources. The expansion of the home buyer tax credit, if it continues only to affect one in five new home purchases with the new higher limits, will significantly increase the cost of exposure of the American public to the costs of these credits and to the risk.

Even worse than the inefficient use of tax dollars is the misuse of funds. With the lack of oversight and uncovered fraud in this program, extending the credit could result in throwing away billions of taxpayer dollars. The evidence of fraud in the program was reported by the Treasury Inspector General for Tax Administration. According to him, the IRS is investigating more than 100,000 suspicious and potentially fraudulent claims involving tax credits. In addition, the IRS and Federal law enforcement agencies are investigating 167 criminal schemes involving the credit.

Further, the Inspector General uncovered hundreds of cases where children—some as young as 4 years old—and illegal immigrants claimed the credit. Even more disturbing, the IG found that IRS employees themselves were illegally using the credit. It sounds to me as though we have the fox guarding the hen house. It is, therefore, not surprising that one low-income tax aide recently testified before a congressional panel that the abuse of the tax credit appeared to be widespread.

Legislative changes are being included to address this fraud. Thank you. I appreciate the efforts. But it is unrealistic to believe they will be successful due to the longstanding management and oversight challenges of the IRS and the rampant fraud in the marketplace.

My colleagues on the Finance, Appropriations, and Homeland Security and Government Affairs Committees are very familiar with the IRS tax administration shortcomings that have been well documented by the Inspector General and the GAO. When I chaired the Treasury, Transportation, HUD, and Related Agencies Appropriations Subcommittee, I became familiar with the IRS administration tax challenges. I am also familiar with other housing fraud cases because I have been working with the FHA for too many years.

As I learned, waste, fraud, and abuse cannot be stopped no matter how many ''thou shalt nots'' are included in the legislation.

In the case of the home buyer tax credit, it is nearly impossible to stop fraud when those who are supposed to prevent fraud are actually committing fraud at the IRS. With the FBI reporting that mortgage fraud is at a level even higher during the subprime boom, we are kidding ourselves if we think we can prevent more fraud and more taxpayer losses.

The most effective means of preventing fraud is simply not to extend the credit. That was the approach taken by Congress to finally stop the waste, fraud, and abuse of the so-called FHA seller no-downpayment program.

Finally, and most troubling, is that we are going down the same path that led us to the subprime crisis. The previous two administrations tried to prop up home prices through government incentives and programs similar to the tax credit, which contributed to the housing bubble. No-downpayment sales led to the explosion of foreclosures.

If a family doesn't have the dollars for a downpayment, they often cannot cover the unexpected but sure to occur unforeseen costs of owning a home. No downpayment has meant for too many people the American dream turning into the American nightmare.

Are we going down the same road with the home buyer tax credit? Are the credits being monetized to cover for an inability of the purchaser to come up with the downpayment?

Lastly, does anyone remember President Clinton's 1995 National Homeownership Strategy in which he charged HUD to work with leaders in government and the housing industry to increase home ownership? Have we forgotten President Bush's 2002 America's Homeownership Challenge and the 2004 Ownership Society Initiative to work with the real estate and mortgage finance industries to help boost the home ownership rates of minorities with the goal of increasing the number of minority homeowners?

All of these are extremely noble objectives. I agree with the objectives. But how did the government actually encourage home ownership? The government used a number and variety of tools, such as tax incentives and easy access to financing for borrowers through entities such as Fannie Mae, Freddie Mac, and the FHA.

The Tax Code already provides generous incentives to encourage home ownership through mortgage interest deduction, property tax deduction, and capital gains tax exclusion. The Joint Committee on Taxation estimates that for 2008 these tax incentives totaled just over $108 billion.

Through the implicit backing of the Federal Government and its own tax advantages, Fannie Mae and Freddie Mac were to boost home ownership by improving access to credit for borrowers. For low-income borrowers, the government pushed Fannie and Freddie to increase its purchases of the riskiest loans, such as alternative A and subprime mortgages—some where they didn't even check to see if the person had an income. The riskiest loans eventually accounted for about 15 percent of Fannie and Freddie's portfolio, which included a significant number of subprime loans originated by lenders such as Countrywide.

Not surprisingly, Countrywide became Fannie Mae's top business partner, accounting for 28 percent of Fannie's loan portfolio in 2007. FHA also was used by the government to encourage home ownership by ensuring loans at virtually no risk to lenders and with little or no downpayment by borrowers.

In other words, nobody who was running up the tab, who was taking on the obligations on the government's credit card, had any skin in the game. With the implosion of the private subprime industry and the credit crunch, the government—through Fannie, Freddie, and FHA—has become the primary source of mortgage funding. The Federal Reserve Bank recently estimated the Federal Government now accounts for 95 percent of the mortgage market. In other words, the Nation's mortgage market has been effectively federalized, and all of the risk is now on the back of the taxpayer.

As with previous housing bubbles, the taxpayer ends up bearing the brunt. Last time I checked, the government didn't do a good job of being a landlord.

I urge my colleagues to read the Congressional Quarterly cover story of July 7, 2008, entitled ''FHA Guarantees Not A Panacea.'' By pushing and subsidizing home ownership, the government has turned the American dream into the American nightmare for homeowners, for neighbors, communities, the global financial system, and taxpayers.

Are we learning from past mistakes or repeating them? Even without the tax credit, government has already taken unprecedented steps to stabilize the housing sector. The Fed has bought hundreds of billions of dollars' worth of mortgage-backed securities, taken on the debts of Fannie and Freddie, replaced the private subprime lending with the government's version of subprime through the FHA by expanding their business in several ways, such as the enactment of HOPE for Homeowners. Not surprisingly, FHA losses have dramatically increased.

I ask unanimous consent to continue for 1 minute.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. BOND. The damage caused by distorting housing prices cannot be denied. Economics Professor Edward Glaeser of Harvard wrote:

> Subsidized lending has encouraged millions of markets to leverage themselves wildly to bet on the housing market.

Betting taxpayer funds is a bad bet. Why are we continuing these debt-fueled policies? Why do we keep using taxpayer dollars to distort and manipulate the market? What is our exit strategy from a massive Federal Government takeover of housing?

Josh Rosner, a managing director of Graham Fisher, said:

> We've created a society where we love the term home ownership, yet we can't allow people to understand that they are being taken advantage of.

I ask unanimous consent to have the Washington Post editorial of September 19 and articles by Professor Glaeser printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

[From the Washington Post, Sept. 19, 2009]

EXTRA CREDIT

It's time for Congress to cancel a temporary tax subsidy for homebuyers.

For the Nation's troubled housing market, things are looking tentatively but undeniably better. New-home sales, though still well below where they were a year previously, rose at a nearly 10 percent monthly rate in July. The median home price ticked up in 15 of 20 metropolitan areas in June, according to the S&P/Case-Shiller Home Price Index. This is important good news for the economy, because it promises an end to the foreclosure wave that has rippled across the country and because even families not threatened by foreclosure tend to trim their spending in times of declining home equity.

This fragile stability has been achieved through colossal government intervention in the housing sector. To hold down mortgage rates, the Federal Reserve has bought hundreds of billions of dollars worth of mortgage-backed securities on its way to a promised total of $1.25 trillion. The Treasury has taken on the debts and operational losses of Fannie Mae and Freddie Mac, which own or guarantee a combined $5.4 trillion in mortgages. The Federal Housing Administration, designed to insure mortgages for a relatively few low-income buyers, backed 40 percent of all new home loans (together with other agencies) in August, according to the Mortgage Bankers Association. Yet its losses have mounted: An audit shows that FHA reserves are about to fall below the legal minimum, which is 2 percent of the value of all loans guaranteed by the agency. In short, the very real risk of homeowner default is now more concentrated than ever before in the government's hands. That is perhaps necessary in an emergency, but certainly undesirable in the long run.

The housing market has also benefited from its own version of the ''Cash for Clunkers'' program, which Congress created for autos. As part of the February stimulus bill, Congress created an $8,000 tax credit for individual first-time homebuyers who make less than $75,000, or couples who makes less than $150,000; it expires in November. This was an expansion of a slightly less generous ''temporary'' credit Congress had adopted in 2008. The National Association of Realtors says that the policy generated 350,000 home sales this year. And, not surprisingly, the real estate industry and its supporters on Capitol Hill are calling for an extension of the $8,000 credit to save the incipient housing recovery. Sen. Johnny Isakson (R-Ga.) wants to make it $15,000.

The credit probably did stimulate home sales, just as Cash for Clunkers gave auto dealers a shot in the arm this summer. But, like Cash for Clunkers, the housing credit does not magically generate demand. It moves demand around—from the future to the present, and from other consumers, and other sectors, to homebuyers and homes. These ''results'' don't come for free. Cash for Clunkers added $4 billion to the federal deficit, and the housing tax credit is on track to add $15 billion.

Congress should end this program while it still can. With hundreds of billions of dollars in support from the Fed, the Treasury and the FHA still in place, the housing market can survive without it. Indeed, the looming problem for the U.S. economy is how to wean housing off its dependence on federal backing. That job will be hard enough without adding yet another not-so-temporary subsidy to the list.

[From the Boston Globe, Nov. 2, 2008]

THIS OLD HOUSE POLICY

(By Edward Glaeser)

At the heart of this fall's historic financial crisis lies a steep, nationwide fall in the price of homes. After a wild, bubble-like boom, housing prices have fallen more than 30 percent in some areas, wiping away the wealth of ordinary Americans and bringing some of the nation's biggest financial institutions to the point of insolvency.

For many pundits and politicians, the solution is clear: find some way to keep the price of houses high, whether through new government-subsidized loans or by buying up troubled mortgages. Keeping house prices up has an obvious appeal to home-owning voters. The banking system would certainly benefit if new subsidies actually did shore up the assets that lie at the center of the crisis.

But despite its popular appeal, the notion that the government should try to prop up housing prices with more mortgage subsidies is a mistake. On a practical level, even a huge expenditure of taxpayer money is unlikely to have a meaningful effect on the price of homes. And to the extent that it did work, artificially high house prices will only encourage more new homes to be built, adding to the glut and making the crisis worse.

In a larger sense, the problem lies in the very idea that the government should spend money to keep house prices high—the legacy of an expensive national housing policy that has long outlived its purpose.

Today, there is no more case for artificially boosting housing prices than there is for artificially inflating the price of tea or T-shirts. We need to start treating housing markets not as some sort of ephemeral part of the American dream, but with the same rigorous logic that is used to think about markets for oil or software or orange juice. The goal of housing policy should be not to make prices higher, but to make homes more affordable—and, in so doing, to give people the opportunity to choose housing that fits their needs.

A better response to this crisis would be to define sensible housing goals and to find policies that will actually help us meet them. Rather than increasing the subsidies for borrowing, the government would do better to offer a small, targeted tax benefit to first-time home buyers. Instead of large-scale incentives that divert billions of dollars toward wealthy Americans who borrow to buy bigger homes, we should make housing more affordable by reducing the barriers to building more housing where it's needed.

Housing is special. It is not just a commodity or an investment, but a basic human need. Our homes are the stages on which much of our lives play out. For most Americans, homes are also the primary form of savings, which means that the government has a strong interest in not paying to fuel the borrowing that helped spur this painful boom-bust cycle in the first place.

For 75 years, through both Democratic and Republican administrations, the federal government has aimed to increase homeownership by making it easier for people to borrow money to buy a house. The roots of this approach lie in the New Deal, when the government wanted to boost employment in the construction industry. The public commitment to subsidized lending increased in the Housing Act of 1949, which embraced the objective of "a decent home and a suitable living environment for every American family."

To achieve its goals, the government established Fannie Mae and Freddie Mac, which created a fluid mortgage market by guaranteeing mortgages against default. On an even larger scale, the government provides an immense annual subsidy to mortgage holders in the form of the home mortgage interest deduction—a tremendous tax advantage enjoyed by anyone who borrows money to buy a house and earns enough to make itemization worthwhile. The more you borrow, the more you save in taxes.

These policies helped create a multitrillion-dollar home-lending market, which has helped bring about remarkable improvements in American housing. In 1940, almost 45 percent of American homes lacked complete indoor plumbing. More than 20 percent of homes had more than one person per room. By 1980, less than 3 percent of homes lacked plumbing and less than 5 percent had more than one person per room. Today, the average American has close to 1,000 square feet of living space, more than twice the norm in France or England or Germany. Much of that improvement was driven by rising American incomes rather than government policy. Still, by those measures, federal housing policy at least looks like a success.

But the public subsidy of credit markets has also had a dark side. The tax subsidy does modestly encourage homeownership. But it specifically encourages borrowing to invest in expensive homes, which are risky assets that can crash as well as boom. We had housing bubbles long before the federal government got into the subsidy business, but encouraging homeowners to buy with borrowed money certainly did nothing to moderate extreme price swings.

The past eight years, in which housing prices first doubled and then collapsed, deserve a place in the annals of market mania. In states like Massachusetts, where housing supply is limited, borrowing has kept prices high, which benefits existing homeowners but counterproductively makes homeownership more difficult for ordinary Americans. In states like Nevada, with few regulations and wide-open spaces to build, these policies encourage further construction of more and bigger homes. In the 1940s, it may have made sense to encourage Americans to house their children in larger and better houses. But today, we are essentially spending federal money to encourage people to live in 3,000-square-foot houses instead of 2,500-square-foot houses.

In the midst of the crisis, it's understandable that some economists would think that the right response is to try to keep housing prices up by jacking up the federal subsidy for borrowing. Their logic is that lower mortgage rates will energize home buyers and cause housing prices to rise again. This kind of policy—bolstering prices by subsidizing borrowing—is like catnip to politicians, since most American voters are homeowners who would like to see prices go up.

But trying to boost house prices through looser lending is likely to be expensive, ineffective, and create a number of unattractive side effects. Even a massive and expensive government intervention is likely to do no more than prop up house prices by 5 percent—a difference almost imperceptible to the people who need it most, those who have seen their house values drop by 30 percent.

Lending subsidies are likely to be particularly ineffective in the areas that have had the biggest boom-bust cycles, like Las Vegas and Phoenix. In these places, there are neither natural nor man-made limits on building, and, as a result, house prices in these areas stayed close to the cost of construction until 2003. Between 2003 and 2006, these areas experienced a brief, wild price boom. Today, prices in these areas are headed down toward construction costs again. If a housing subsidy did manage to keep prices higher for a time, this would only encourage more overbuilding and a larger housing glut.

Any new subsidy would only increase the cost of our current system, which is already immensely expensive. We still don't know how much restructuring Fannie Mae and Freddie Mac will cost. The mortgage-interest subsidy was estimated to cost the government $74 billion in 2007 alone. Most of that money benefits people with the largest mortgages. The current system, in other words, allocates vast amounts of money to help well-off people bid up the prices of even better-off people's homes.

Instead of continuing the debt-fueled policies that got us where we are, why not rethink our approach to the housing market?

Our current policy takes homeownership itself to be a public good. Our leaders seem to like homeowners. Thomas Jefferson lauded yeoman farmers and George W. Bush admires the ownership society. Homeowners are indeed more likely to vote in local elections or know the name of their congressman; they are also more likely to garden, and own guns.

Yet homeownership is not for everyone. As recent events well illustrate, owning a home comes with large risks, especially for people who aren't planning on living in the same place for a long time. For people who live in multifamily dwellings, the administrative costs of renting can be much lower than dealing with the difficulties of collective ownership. Renting creates more flexibility for people in America's highly mobile workforce. A far more sensible approach to housing would view homeownership as one possible housing option, not a primary public goal.

And even if, as a society, America decides that the social benefits of homeownership are sufficiently strong that ownership should be encouraged, there are much cheaper and more effective ways of doing that than by encouraging people to borrow more money.

For instance, the home mortgage interest deduction could be reduced or even eliminated. Most people who are on the margin between renting and owning have relatively lower incomes. Yet the home mortgage interest deduction targets its benefits to the richest people, who buy the biggest homes. A small targeted subsidy for first-time buyers could encourage homeownership just as effectively as the current system, without encouraging people to borrow vast amounts or to buy larger homes. (Reducing the home mortgage interest deduction doesn't mean that taxes need to go up—we could take the $75 billion that it costs and use that money to reduce other taxes.)

Instead of spending federal money to encourage borrowing and keep prices high, it would make more sense to make housing more affordable by eliminating the artificial restrictions that stymie supply. In other areas of the economy, the government protects consumers by eliminating monopolies and other barriers to competition; our nation's commitment to free markets and free trade reflects our faith that ordinary Americans win when the price of clothing is brought down by imports from China, or when retailers and manufacturers face fewer unnecessary regulations.

In the housing market, prices are artificially inflated by barriers to building new housing in many communities. In dense states like Massachusetts, prices have been kept high by localities that oppose new construction, with large minimum lot sizes, Draconian barriers to subdivisions, and a general hostility to any multifamily housing. If those rules were eased, then housing would become more abundant and affordable.

Today, in the depths of the crisis, it's easy to think that the quickest solution is to keep house prices from falling any further. Certainly, we shouldn't feed the financial panic by deliberately pushing housing prices downward in the midst of a price collapse. But it also doesn't make sense to try to stop the natural return of housing prices to their long-run levels—and to do so for reasons that no longer suit America's housing needs.

Subsidized lending has encouraged millions of Americans to leverage themselves wildly to bet on the housing market. All that betting helped to create the bubble that has now popped. Lending more cheap money would be like a gambler doubling down and hoping for a win next time.

Not everyone needs to be a homeowner. Not everyone needs to live in a McMansion. There's no single solution to the puzzle of housing policy, but one thing is clear: it should be based on good economics, not on an attachment to homeownership, the political appeal of helping homeowners, or the sentimental view that the American dream means owning a big house.

The ACTING PRESIDENT pro tempore. The Senator from Arizona is recognized.

Mr. KYL. Mr. President, once again this weekend I got an earful when I went home and heard from my constituents. Arizonians have told me repeatedly they don't want government-run insurance and they deserve to have their concerns taken seriously. The Democratic leaders in both Chambers of Congress have decided to include government-run insurance, the so-called public option, in their healthcare bills anyway.

Supporters of government-run insurance say it would be one choice of many and that it would promote competition. In reality, the government-run insurance would soon be the only option. Its artificially low prices, government backing, and ability to run at a huge loss would quickly put private insurers out of business, forcing millions of Americans onto the government-run plan.

That is why the Lewin Group estimates that 88 million Americans with employer-sponsored insurance would wind up on the government-run plan. The Lewin Group is a well respected firm that consults in the area of health care.

It concludes that once the architecture for a huge government-run plan is in place, future Congresses need only take small steps to get to a single-payer system.

We have seen what happens in countries with government-run health care—rationing, delays, and denials. No country, not even the most prosperous on Earth, has unlimited resources to spend on health care. So when a government takes over health care—as it has in countries such as Britain, Canada, and many European countries—care ends up being rationed. People in Canada and the United Kingdom routinely wait months for procedures Americans can get in a matter of days, if not hours. The stories you hear about monthly, in fact years-long, waiting lists are not cherry-picked scare stories. They are commonplace. Patients often wait in pain for an MRI or a hip replacement or dental care.

According to a study by the Fraser Institute, which is a Canadian-based think tank, the average wait time for treatment from a specialist is 18.3 weeks in Canada.

The $1.055 trillion Pelosi health care bill unveiled last week sets us on course to experience that kind of government rationing. Under the Pelosi plan, a new health care choices commissioner—by the way, that sounds a little Orwellian to me—will decide what counts as essential benefits for Americans. Simply put, Washington bureaucrats at 111 new Federal boards, commissions, and programs will dictate your health insurance.

The Government will order all insurance plans to offer a one-size-fits-all benefits package, and the same array of plan options. Rather than having the freedom to compete, insurers would in essence become prepaid health utilities.

The new Federal mandates and requirements will quickly raise health care costs. In fact, the nonpartisan Congressional Budget Office, the Joint Committee on Taxation, the Chief Actuary at the Department of Health and Human Services, and other independent actuaries all agree: The Democrats' plan will drive up premiums and overall health care spending faster than in the absence of such so-called reforms.

As premiums rise, politicians will search for ways to control spiraling costs without relinquishing their control. The most obvious path would be more tax increases and payment cuts for doctors and hospitals, but when those options are exhausted—and they will be—the government's only remaining cost containment tool is to control how much health care everyone receives; that is, to ration care.

The Pelosi bill shows Democratic leaders have not listened to the American people at all. Americans have been clear. They do not want a government takeover of health care. Americans want high-quality health care that is more affordable. Instead, they are getting a 2000-page, $1.055 trillion bill that leads to a near Washington takeover of health care with rationing and increased premiums and new taxes along the way.

Republicans will insist on protection for our constituents from the harmful effects of this bill. We believe Americans have rights in this process. We want to see commonsense reforms that empower patients and families, not government bureaucrats.

I ask unanimous consent that an editorial in the Wall Street Journal, dated November 1, called ''The Worst Bill Ever'' be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

[From the Wall Street Journal, Nov. 1, 2009]

THE WORST BILL EVER

Speaker Nancy Pelosi has reportedly told fellow Democrats that she's prepared to lose seats in 2010 if that's what it takes to pass ObamaCare, and little wonder. The health bill she unwrapped last Thursday, which President Obama hailed as a ''critical milestone,'' may well be the worst piece of post-New Deal legislation ever introduced.

In a rational political world, this 1,990-page runaway train would have been derailed months ago. With spending and debt already at record peacetime levels, the bill creates a new and probably unrepealable middle-class entitlement that is designed to expand over time. Taxes will need to rise precipitously, even as ObamaCare so dramatically expands government control of health care that eventually all medicine will be rationed via politics.

Yet at this point, Democrats have dumped any pretense of genuine bipartisan ''reform'' and moved into the realm of pure power politics as they race against the unpopularity of their own agenda. The goal is to ram through whatever income-redistribution scheme they can claim to be ''universal coverage.'' The result will be destructive on every level—for the health-care system, for the country's fiscal condition, and ultimately for American freedom and prosperity.

The spending surge. The Congressional Budget Office figures the House program will cost $1.055 trillion over a decade, which while far above the $829 billion net cost that Mrs. Pelosi fed to credulous reporters is still a low-ball estimate. Most of the money goes into government-run ''exchanges'' where people earning between 150% and 400% of the poverty level—that is, up to about $96,000 for a family of four in 2016—could buy coverage at heavily subsidized rates, tied to income. The government would pay for 93% of insurance costs for a family making $42,000, 72% for another making $78,000, and so forth.

At least at first, these benefits would be offered only to those whose employers don't provide insurance or work for small businesses with 100 or fewer workers. The taxpayer costs would be far higher if not for this ''firewall''—which is sure to cave in when people see the deal their neighbors are getting on ''free'' health care. Mrs. Pelosi knows this, like everyone else in Washington.

Even so, the House disguises hundreds of billions of dollars in additional costs with budget gimmicks. It ''pays for'' about six years of program with a decade of revenue, with the heaviest costs concentrated in the second five years. The House also pretends Medicare payments to doctors will be cut by 21.5% next year and deeper after that, ''saving'' about $250 billion. ObamaCare will be lucky to cost under $2 trillion over 10 years; it will grow more after that.

Expanding Medicaid, gutting private Medicare. All this is particularly reckless given the unfunded liabilities of Medicare—now north of $37 trillion over 75 years. Mrs. Pelosi wants to steal $426 billion from future Medicare spending to ''pay for'' universal coverage. While Medicare's price controls on doctors and hospitals are certain to be tightened, the only cut that is a sure thing in practice is gutting Medicare Advantage to the tune of $170 billion. Democrats loathe this program because it gives one of out five seniors private insurance options.

As for Medicaid, the House will expand eligibility to everyone below 150% of the poverty level, meaning that some 15 million new people will be added to the rolls as private insurance gets crowded out at a cost of $425 billion. A decade from now more than a quarter of the population will be on a program originally intended for poor women, children and the disabled.

Even though the House will assume 91% of the ''matching rate'' for this joint state-federal program—up from today's 57%—governors would still be forced to take on $34 billion in new burdens when budgets from Albany to Sacramento are in fiscal collapse. Washington's budget will collapse too, if anything like the House bill passes.

European levels of taxation. All told, the House favors $572 billion in new taxes, mostly by imposing a 5.4-percentage-point ''surcharge'' on joint filers earning over $1 million, $500,000 for singles. This tax will raise the top marginal rate to 45% in 2011 from 39.6% when the Bush tax cuts expire—not counting state income taxes and the phase-out of certain deductions and exemptions. The burden will mostly fall on the small businesses that have organized as Subchapter S or limited liability corporations, since the truly wealthy won't have any difficulty sheltering their incomes.

This surtax could hit ever more earners because, like the alternative minimum tax, it isn't indexed for inflation. Yet it still won't be nearly enough. Even if Congress had confiscated 100% of the taxable income of people earning over $500,000 in the boom year of 2006, it would have only raised $1.3 trillion. When Democrats end up soaking the middle class, perhaps via the European-style value-added tax that Mrs. Pelosi has endorsed, they'll claim the deficits that they created made them do it.

Under another new tax, businesses would have to surrender 8% of their payroll to government if they don't offer insurance or pay at least 72.5% of their workers' premiums, which eat into wages. Such ''play or pay'' taxes always become ''pay or pay'' and will rise over time, with severe consequences for hiring, job creation and ultimately growth. While the U.S. already has one of the highest corporate income tax rates in the world, Democrats are on the way to creating a high structural unemployment rate, much as Europe has done by expanding its welfare states.

Meanwhile, a tax equal to 2.5% of adjusted gross income will also be imposed on some 18 million people who CBO expects still won't buy insurance in 2019. Democrats could make this penalty even higher, but that is politically unacceptable, or they could make the subsidies even higher, but that would expose the (already ludicrous) illusion that ObamaCare will reduce the deficit.

The insurance takeover. A new ''health choices commissioner'' will decide what counts as ''essential benefits,'' which all insurers will have to offer as first-dollar coverage. Private insurers will also be told how much they are allowed to charge even as they will have to offer coverage at virtually the same price to anyone who applies, regardless of health status or medical history.

The cost of insurance, naturally, will skyrocket. The insurer WellPoint estimates based on its own market data that some premiums in the individual market will triple under these new burdens. The same is likely to prove true for the employer-sponsored plans that provide private coverage to about 177 million people today. Over time, the new mandates will apply to all contracts, including for the large businesses currently given a safe harbor from bureaucratic tampering under a 1974 law called Erisa.

The political incentive will always be for government to expand benefits and reduce cost-sharing, trampling any chance of giving individuals financial incentives to economize on care. Essentially, all insurers will become government contractors, in the business of fulfilling political demands: There will be no such thing as ''private'' health insurance.

All of this is intentional, even if it isn't explicitly acknowledged. The overriding liberal ambition is to finish the work began decades ago as the Great Society of converting health care into a government responsibility. Mr. Obama's own Medicare actuaries estimate that the federal share of U.S. health dollars will quickly climb beyond 60% from 46% today. One reason Mrs. Pelosi has fought so ferociously against her own Blue Dog colleagues to include at least a scaled-back ''public option'' entitlement program is so that the architecture is in place for future Congresses to expand this share even further.

As Congress's balance sheet drowns in trillions of dollars in new obligations, the political system will have no choice but to start making cost-minded decisions about which treatments patients are allowed to receive. Democrats can't regulate their way out of the reality that we live in a world of finite resources and infinite wants. Once health care is nationalized, or mostly nationalized, medical rationing is inevitable—especially for the innovative high-cost technologies and drugs that are the future of medicine.

Mr. Obama rode into office on a wave of ''change,'' but we doubt most voters realized that the change Democrats had in mind was making health care even more expensive and rigid than the status quo. Critics will say we are exaggerating, but we believe it is no stretch to say that Mrs. Pelosi's handiwork ranks with the Smoot-Hawley tariff and FDR's National Industrial Recovery Act as among the worst bills Congress has ever seriously contemplated.

Mr. KYL. Let me quote four sentences from this editorial.

In a rational political world, this 1,990-page runaway train would have been derailed months ago. With spending and debt already at record peacetime levels, the bill creates a new and probably unrepealable middle-class entitlement that is designed to expand over time. Taxes will need to rise precipitously, even as ObamaCare so dramatically expands government control of health care that eventually all medicine will be rationed via politics.

The editorial goes on to say:

The result will be destructive on every level—for the health-care system, for the country's fiscal condition, and ultimately for American freedom and prosperity.

The editorial goes on to detail the myriad of ways this is true. I believe the conclusion is correct and mirrors the comments I made at the beginning here.

The final thing I wish to do is to comment on a letter which Republicans wrote to the majority leader and the response which we received. Out of fairness to the majority leader, I ask unanimous consent that at the conclusion of my remarks, his letter be printed in the RECORD.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

(See exhibit 1.)

Mr. KYL. Mr. President, what we wrote was to ask him if he would be willing to share with us the bill that the media reported he had sent to the Congressional Budget Office to have scored. That is congressional talk for to have the cost facts, costs of and savings from the bill, or taxes generated by the legislation provided to us. Every bill that comes to the Senate floor has to be scored. The news had reported that the majority leader had sent a bill to CBO to be scored.

He held a press conference in which he talked about the government option or government-run health care part of that, what I spoke about earlier. But what the majority leader said in this letter is that there is no bill. He talked about the part he had referred to the CBO, relating to the so-called public option, but he then said that is all he had sent to them, and I will quote his conclusion here: ''In other words, there is no bill to release publicly—it does not exist.''

Apparently there is no bill yet from the majority leader, only this concept of a public option which he has presented to CBO to be scored. He then concluded by asking where the ''comprehensive Republican alternative is,'' and he said he would like to get a copy of that.

This is something Republicans have been saying for months now. You are not going to see the same size bill out of Republicans you have seen out of the Democratic majority. You are not going to see a 2,000-page bill. I exaggerate by 10 pages; I am sorry, it is 1,990 pages. We are not going to propose a comprehensive reform of the entire health care system and insurance industry as the Pelosi bill has done. Nor are you going to see an over-a-thousand-page bill such as the bills that came out of the Senate committees. You are not going to see $1 trillion come out of Republicans. We do not believe that is the way to deal with the discrete problems that exist in our system.

Yes, we have problems. Those problems have specific solutions. But they do not have to cost $1 trillion or consume 2,000 pages of text and take over our health care system. That is the whole point of the debate. You have two different philosophies: one which says we have to do it in a comprehensive way that takes over everything we currently have; the other says, no, we don't have to do that, that is too much taxes, too much loss of freedom, an increase in premiums, too much government control, and too much debt. We don't need to do that. What we need to do is focus on the specific problems and solve them.

We have talked repeatedly about the ideas we have to do that. You can save maybe $100 billion to $200 billion a year in unnecessary health care expenditures that result from the practice of defensive medicine. That is, medical malpractice reform could save that much money without costing a dime.

You could also provide for more competition among the insurance companies—not through a government-run insurance company but allowing them to compete with each other across State lines, by allowing small businesses and others to join together and expand their risk pools into something called association health plans, so they would have more bargaining power when they negotiate with the insurance companies, as big business does, and a variety of other things.

My point is the Republican solutions to the specific problems are targeted solutions that don't cost a lot of money, don't ration health care, don't take away your freedom, and don't require 2,000 pages to wade through what you are doing.

When the majority leader tries to entice Republicans into sharing with him our comprehensive bill that is like the Democrat comprehensive bill, my answer to him is I am sorry, Mr. Leader, you are going to be disappointed because that is not our approach, as we have been saying all along. But at the time you have your 1,000-page or 2,000-page bill, whatever it is, obviously we wish to see it.

I think the American people deserve to see it because, as I heard from my constituents this weekend, they are very afraid about what they are hearing. They are hearing about this massive government takeover, massive expense, new taxes, premium increases, increase in the debt, and rationing of health care. They are scared to death and they have a reason to be frightened about this.

As soon as the majority bill is ready, obviously Republicans are going to want to examine it and share it with our constituents. In the meantime, what we have to talk about, I guess, is the bill that will be debated and voted on in the House of Representatives this week, the so-called Pelosi bill which, as I said, the Wall Street Journal has editorialized about today in a way that I think should continue to frighten people. As I said, it is called ''The Worst Bill Ever,'' and after you read the editorial I think you can see the reasons why.

I yield the floor.

EXHIBIT 1

U.S. SENATE,
Washington, DC, November 2, 2009.

DEAR COLLEAGUE: Thank you for your recent letter on health care reform. I agree with you about the importance of ensuring that the Senate debate health care reform in an open and transparent way, and assure you that the process for considering this critical legislation will continue to meet that standard.

As you know, both the HELP and Finance Committees conducted lengthy public markups at which Republican and Democratic Senators offered numerous amendments and proposals by members of both parties were approved. This legislation has been fully available on the Internet for many weeks.

As you also know, we are now working to take these publicly-available provisions and meld them together into a single bill. Apart from my decision to include a public option from which states may opt out, no final decisions have been made—and none can be made until we get more information about how CBO would score different combinations. In other words, there is no bill to release publicly—it does not exist.

Once we receive the necessary information from CBO, we can begin to make decisions about what to include in a merged bill. I assure you that I will make the legislation available to the full Senate and the American people prior to its consideration. There will be ample opportunity to examine and evaluate its provisions. Furthermore, if we are able to overcome your opposition to permitting the Senate to even debate this important legislation, all members will have the opportunity to offer amendments. I have no intention of rushing this process or blocking Senators from offering alternatives.

While the two health care reform plans that are serving as the main building blocks for the merged bill have been publicly available for quite some time, I would note that the Republican Leadership's health care plan remains a secret, unless perhaps it does not exist.

Needless to say, I fully understand if your plan is still under development, and would not presume to suggest that you publicly share draft legislative text for even an individual element of your plan, let alone an entire bill, before it is finalized.

However, as soon as a comprehensive Republican alternative is complete, I hope you will be willing to immediately make it public. I am sure you agree that the American people deserve the opportunity to fully review both parties' health reform plans before we begin this important debate.

Sincerely,

HARRY REID,
Senate Majority Leader.

The ACTING PRESIDENT pro tempore. The Senator from Nebraska is recognized.

Mr. JOHANNS. Mr. President, as I start out this afternoon, I wish also to speak about health care. If I could, I wish to associate myself with the remarks of the Senator from Arizona. In his comments, I thought Senator KYL hit the nail on the head. What we are looking for and I believe what the American people are looking for in this health care debate is a very thoughtful, step-by-step approach. That is what I hear when I go back home. I suspect other Senators are hearing the same thing.

Today I want to talk about something that I as a former Governor—and I know the Presiding Officer was a former Governor; we were Governors together—have experience with and that is Federal legislation that comes along and it basically says to the States: If you don't like this Federal legislation, you can opt out. I often had that situation when I was Governor. Within the last 2 weeks or so, this idea came to the forefront with the health care debate. All of a sudden, there was this trumpeting going on that there would be a State choice here and that would be kind of a compromise, I think a compromise to bring some reluctant votes over in favor of the bill.

I have to say I am very skeptical of this concept. We have not seen the bill yet here on the Senate side. That is being worked on behind closed doors. I was fascinated to listen to the Senator from Arizona talk about the fact that the majority leader said there is no bill yet. If we are going to start debate here, I hope a bill comes up soon so we have an opportunity to study it. But I think we can look from past experience and maybe get an idea of what this opt-out is going to look like.

No doubt about it, in order for this health care legislation to be able to work at all, billions of dollars are going to have to be collected through taxpayers, be collected all across the country, from all States and their taxpayers. So if a State such as Nebraska is seriously considering the possibility that it might opt out of this bill, it is going to have to examine what choice is available and is there a choice at all. Does that mean the State of Nebraska will get to opt out of higher premiums?

Does that mean the State of Nebraska will get to opt out of any individual mandates that are a part of the legislation? Does that mean that if the Governor of Nebraska says, We do not want any part of this bill, the Medicare recipients in Nebraska will not have to experience the nearly $500 billion in Medicare cuts? Does that mean that if the Governor of Nebraska chooses to opt out of this legislation, he literally has the ability to save Nebraska taxpayers from the $400 billion, or their share of that, that they would pay in taxes for this legislation, or is this going to be like so many other opt-out opportunities that the Federal Government gives to the States, and when you really get down to it, you begin to realize there really is not an opt-out, there really is not a choice; you have all of the burdens of the legislation but, of course, get no benefit.

Further, it appears the legislation—again, I am speculating to some degree, but it appears the legislation would require States to opt out by 2014. Yet it is going to take about 3 or 4 years to get this government plan up and running. So almost at the same time that you are supposed to opt out, we will finally see, in terms of the regulations, what this government plan is going to do to States and taxpayers in those States. I can't see that there is much choice.

You see, today we have the opportunity to opt out of various Federal programs—No Child Left Behind. Nebraska could opt out of the Federal bureaucracy. Why don't they opt out? Why don't other States? Because you really don't have a choice. The burden of the legislation is still going to be there, and by opting out, what you are saying is: I will force the burden upon my taxpayers and we will forego whatever limited benefit is available. So I just say, as we study this, don't be fooled. Opt-out in fact may have more of a downside and I suspect it is going to have more of a downside than any potential for an upside, and therefore that is not a choice.

The other thing I have to tell you is that as I look at this, there really is not an opt-out. I think where we are headed is a first step toward a single-payer, government-type program. Government should not be the sole provider of health insurance. It should not be the sole arbiter of what kind of health care people will get in this country.

What is the track record when there is a government program when it comes to health care? Well, we can look at the track record because there is a lot of it out there. Medicare and Medicaid would be perfect examples. Studies have been done of Medicare. They are done on a regular basis. If you are a Medicare recipient out there, you have heard about this. Medicare is due to be insolvent in 2017. And I am not talking about a little fix that is necessary here; this is trillions of dollars. That is frightening when you think about it. It is especially frightening when you recognize that the proposal is that about $450 billion will be pulled out of this program, not to stabilize Medicare, although I would argue that would make a lot of sense in terms of trying to say that any dollars that you can save in Medicare should stay with Medicare. No, that is not what is happening at all. You see, what is happening is that $450 billion will go to start a new government program, a new entitlement. Then there is that estimate that says about $10 billion annually is the minimum loss sustained by taxpayers every year due to Medicare fraud—$10 billion due to Medicare fraud. Medicaid has a 10-percent waste, fraud, and abuse rate. Neither is sustainable under its current form.

Again, as a former Governor, I will tell you that Medicaid is the greatest challenge Governors face in keeping their budget together. We all talk about it, Democrats, Republicans; it does not make any difference. Yet a part of this health care plan will shift the burden to the States when they are already in very difficult times.

I recently got a letter from a high school junior from Kearney, NE. She said to me:

In my government class, we have discussed the health care issue. I feel very strongly about this issue for a few reasons, the first being the fact that all the money the government is spending is going to come out of the pockets of Americans. This will mostly affect the youth of this country. This will be my generation who will be paying off the bills that you will create with this health care plan.

My goodness. Did she get that right or not?

You know, it is just the commonsense approach. If you are really going to try to do what we are elected to do, why would you not shore up current government programs first before going off in this massive, 1,990-page bill to create a new entitlement? Why would you go off and siphon nearly $½ trillion away from Medicare? We should ensure Medicare's solvency first.

I believe the current proposal is about advancing an agenda versus addressing a real need. The government-run plan will not make health care more affordable. I think we are going to see that confirmed over and over again as it is analyzed. If affordability is the goal, let people buy insurance across State lines. You will get virtually unanimous bipartisan support for that. Let small businesses and farmers and ranchers band together to get more competitive rates. Allow tax deductibility to level the playing field between corporations and individuals buying insurance. You see, again, if you did a step-by-step approach, I think you would get nearly unanimous support for these ideas.

Nebraskans see through the rhetoric. I got another letter from a constituent in Omaha:

Please oppose latest iteration of health care reform. This reform package will accomplish none of the objectives that have been laid out at the outset of this process.

The ACTING PRESIDENT pro tempore. The Senator's time has expired.

Mr. JOHANNS. I ask unanimous consent for 1 additional minute.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. JOHANNS. I thank the Chair.

This bill will ultimately lead to Government-run health care, will have more waste and fraud than the current system and will necessarily lead to arbitrary rationing and long wait times for treatment.

Mr. President, I appreciate the indulgence to just wrap up my comments and say that if there were ever a time to go thoughtfully and carefully one step at a time and work in a bipartisan way to fix this issue, it is now. My hope is that in the weeks ahead, as we debate this issue, we will do precisely that.

I yield the floor.

The ACTING PRESIDENT pro tempore. The Senator from Florida is recognized.

Mr. LEMIEUX. Mr. President, I wish to follow up on the comments of my colleagues from Nebraska and Arizona. I will not be as eloquent as they, but I also want to lend my voice to the discussion regarding health care.

I had the opportunity to receive the House bill, 1,990 pages. It is not an easy read. I am making my way through it. But we have learned a lot through it. I have already found that the taxes start on page 297. There is an estimated over $1 trillion in costs over the next 10 years in these 1,990 pages. This is the House bill, the bill Speaker PELOSI has put forth. We do not yet have a copy of the Senate bill to digest. So this is the text we will go on for now. But I think it is good to see this in the larger context in which we debate health care. It is important to remember that this year, this Congress has passed a budget that has a record-setting $1.4 trillion deficit. That is more deficit than the last 3 years of Congress combined.

Americans want and deserve more affordable health care. We have more than 40 million Americans without health insurance, nearly 4 million of them in Florida. They want better access to health care. They certainly want their health care to be less expensive. But keeping this in mind, we have to look at the situation in which we find ourselves. The reckless spending of this Congress must stop or we are going to bankrupt the future of our children and of our grandchildren.

The Senator from Nebraska was talking about a letter he received from his constituent. I sat in my office and looked at some of the letters that have come in from Florida. I wanted to read one from John Miller from Valrico, FL, which is in the Tampa Bay area, right near Brandon. He writes—it is in handwriting, it is not typed. It is from October 19. He says:

Mr. LeMieux, I am one of those who have not paid enough attention to what is going on. Like others, I am waking up. I have decided to go old school and start hand-writing letters again. It was recently reported the Federal deficit for the 2009 fiscal year was $1.4 trillion, up from $459 billion the year before. I think it is time for Congress to stop all work and start working on ways to cut the deficit. One way is to shrink the government.

Good thing Mr. Miller in Valrico, FL, gets it. Before we start embarking upon 1,990-page endeavors to create new entitlement programs that cost $1 trillion, we should focus, as Senator JOHANNS from Nebraska said, on the programs that we already have, and we should do so through the lens of the debt and deficit we have now that is going to bankrupt the future of our children.

Right now, we spend $253 billion a year in interest alone—$253 billion to pay the interest on our debt. That is the third highest expenditure we have in the Federal budget, $700 million a day. The national debt is nearing $12 trillion. In the next few days, we will reach that mark. The White House projects we will be at $23 trillion in 10 years. The national debt rose at a rate of $4 billion a day. It took us until 1982 to hit $1 trillion in debt; now we are near $12 trillion.

When I gave my maiden speech a couple of weeks ago, I tried to put some real-world context into what these amounts of money mean because $1 trillion or $1 billion are numbers that are hard to understand. I said in that speech that $1 billion laid edge to edge in one-dollar bills would cover the city of Key West, FL, about 3.4 square miles, and $1 trillion would cover Rhode Island twice. Another way to think of it is if you had one-dollar bills and you stacked up $1 trillion, it would be 678 miles high. These are staggering amounts of money.

So where will all of this spending lead us? Well, I think we know. When you have too much spending, you have to increase taxes. When you increase taxes, you reduce prosperity. We know this 1,990-page bill already increases taxes.

In the Wall Street Journal this weekend, Peggy Noonan talked about the problems of New York. I do not mean to single out my friends from New York, but I thought what she said in her article was telling because here is a State with high taxes. She said that the Post reported this week that 1½ million people have left high-taxed New York State between 2000 and 2008, more than a million of them from ever higher tax New York City. They took their tax dollars with them, more than $4 billion in 2006 alone.

I do not know that people are going to leave the United States of America because we have taxes that are too high, but, as I said in my maiden speech 2 weeks ago, I am very concerned that one of my three sons—Max, Taylor, or Chase—or maybe the baby we have on the way is going to come to me when they are an adult and say: Dad, my opportunities are better in another country because I do not want to pay 60-percent taxes to pay for the deficit and the debt you have laid on my shoulders. I hope that day never comes.

So what should we do? Instead of focusing on new entitlement programs, perhaps we should try to fix the ones we already have. Medicare, health care for seniors, and Medicaid, health care for the poor, have huge amounts of waste, fraud, and abuse, an estimated $60 billion in waste, fraud, and abuse in Medicare alone—$60 billion. There could be as much as $225 billion in fraud and abuse and waste across the whole health care system.

I seek to be a problem solver in this Chamber, and I seek to bring Democrats and Republicans together. So last week, I introduced my first bill, S. 2128, the Prevent Health Care Fraud Act of 2009. What that bill does is simply three things: No. 1, it creates in the Department of Health and Human

Services a Deputy Secretary, the No. 2 person in the agency who will be the chief health care fraud prevention officer of the United States.

They will be responsible for only one job—to make sure we ferret out health care fraud. No. 2, we will bring predictive modeling to health care administration in this government. What is predictive modeling? An easy way to understand it is, it is the same way your credit cards work. If you make a credit card purchase and your credit card company thinks it is a questionable transaction, the computer has a model, and you get a phone call or an e-mail. If you don't call and validate that transaction, the vendor doesn't get paid. It happened to me a week or two ago. I went to buy a television. I am from Florida. I get an e-mail on my BlackBerrry before I walk out the door, saying: Did you authorize this purchase? We don't do that in health care. Instead, we chase the bad guys later and try to get the money back. That would stop the money from ever being paid.

The third thing it would do is require background checks for health care providers. The American people would be surprised to learn we don't do this right now. We have people ripping off Medicare and Medicaid, $10, $20 million a shot. My State, specifically in southeast Florida, is the health care fraud capital of the world.

We need to do a better job of spending the money of the people now before we embark upon new programs to spend trillions more. Senator KYL mentioned the Wall Street Journal's editorial of today. It called this bill the worst bill ever—that is a heck of a name—because it implements a spending surge to the tune of more than $1 trillion. It has $572 billion in new taxes, and it threatens to bankrupt the States. Senator JOHANNS mentioned this as a former Governor. I was the chief of staff to a Governor. I know how difficult it is to make ends meet in a State system where you actually have to balance budgets, not like the Federal Government where you can just spend more money and print more money. The States actually have to balance budgets. In Florida, we spend more than 30 percent on health care. If you spend more money on health care, specifically Medicaid, guess what you spend less money on. Education and other good programs. With these increased Medicaid obligations, the States will be in more of a difficult place. They will have to either cut other programs or raise taxes.

The Wall Street Journal said we can't regulate our way out of the reality that we live in a world of finite resources and infinite wants.

We should focus on the programs we have before we embark upon new programs. The majority wants to focus on new programs and not on effectively and efficiently running programs we have.

I hope my colleagues from both sides of the aisle will join me in supporting S. 2128, the Prevent Health Care Fraud Act of 2009.

I yield the floor.

The ACTING PRESIDENT pro tempore. The Senator from California.

HISTORY OF THE MEDICAL INSURANCE INDUSTRY

Mrs. FEINSTEIN. Mr. President, since most people have some form of health insurance, I decided, after many calls from constituents who have said to me: I can't afford a 20-percent increase in my medical health insurance premium; I had a 10-percent one last year, I began to look into the history of the medical insurance industry in America. I have come to the floor to discuss the current state of the private, publicly owned, for-profit health insurance industry and the ways this system must be changed during health care reform. Bottom line: Our country is the biggest health care spender in the world. In return, we get very average results.

It wasn't always this way in America. I wish, for a moment, to briefly review the history of health insurance in our country. Because understanding its development and its transition to the for-profit, commercial health insurance model is actually critical to this debate.

The story began to take shape about 90 years ago. There were very few health insurance plans before the 1920s. As a matter of fact, there was not much in the way of medical services to insure. Options for medical care were primitive by today's standards. In 1900, the average American spent $5 each year on health care-related expenses. This amounts to roughly $100 in today's dollars. Health insurance was not necessary because the cost of care was low. Over 90 percent of medical expenses were paid out of pocket. Most patients were treated in their homes, and medical technology and treatment options were very limited. The earliest private health insurance plans in the United States were fairly basic agreements, primarily sponsored through employers or unions. Employers deducted funds from participating workers' salaries and contracted with local physicians for treatment.

During the 1920s, medical technology was advancing and the treatment of acute illnesses shifted from homes to hospitals. But on the heels of the Great Depression, an increasing number of Americans were unable to afford medical services, which were becoming more costly. In 1929, the Baylor University Hospital developed a plan to guarantee affordable treatment options for patients while ensuring a steady stream of revenue for the hospital. According to author Paul Starr, the Baylor plan provided up to 21 days of hospital care and certain services to 1,500 local teachers in Dallas, TX, for $6 a year or 50 cents a month, if we can believe it.

A hospital official promoting the plan at the time said:

> We spend a dollar or so at a time for cosmetics and do not notice the high cost. The ribbon-counter clerk can pay 50 cents, 75 cents or $1 a month, yet it would take about 20 years to set aside [enough money for] a large hospital bill.

The Baylor plan proved popular and was soon expanded. It served as the foundation for what would become Blue Cross, the first example of a major, nonprofit medical insurance provider. Throughout the 1930s, the number of Blue Cross plans grew and enrollments expanded. By 1937, 1 million subscribers were covered.

In response to the lack of coverage by Blue Cross for physician services, in 1939, the precursor to Blue Shield, called the California Physicians Service, was developed. This plan reimbursed physicians for the cost of services based on negotiated payment schedules. According to the Congressional Research Service, in 1945, nonprofit Blue Cross and Blue Shield plans had expanded to cover 19 million subscribers nationally in most States. These nonprofit Blue Cross and Blue Shield plans dominated the health insurance industry. At this same moment, Congress was reviewing the matter of insurance regulation, generally. In 1945, after significant lobbying by the industry, the McCarran-Ferguson Act was enacted. By passing this law, the Federal Government committed to a hands-off approach to insurance regulation, generally, including the regulation of for-profit, commercial health insurance companies.

This is where things began to change. The McCarran-Ferguson Act gave States, not the Federal Government, primary responsibility for overseeing the insurance business. It meant, as a practical matter, that whether insurance companies would be regulated forcefully or with little care would be left up to individual insurance commissioners in each of the 50 States. Additionally, the McCarran-Ferguson Act included a specific antitrust exemption for the business of medical insurance. As a result, practices such as price fixing, bid rigging, and market allocation, prohibited by Federal law in every other industry, were left up to the States and their enforcement mechanisms.

If insurance companies colluded to raise prices above competitive levels, Federal officials would not and could not investigate or intervene. All regulation was up to the States and, in fact, very little regulation has taken place.

During World War II, for-profit, employer-based health insurance plans expanded rapidly and took a firm hold in our country. Due to price and wage controls, employers competed for workers by offering health insurance benefits. In 1944, the unemployment rate was 2 percent. Additionally, unions were able to collectively bargain health insurance benefits and employer contributions for health insurance which were excluded from a worker's taxable income. By the 1950s, for-